

**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

SUPPLEMENTAL COMPLIANCE REPORT

OF

SCHOOL TOWN OF HIGHLAND

LAKE COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
06/14/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cynthia Adams	07-01-13 to 06-30-17
Superintendent of Schools	Brian Smith	07-01-13 to 06-30-17
President of the School Board	Luanne Jurczak	01-01-13 to 12-31-13
	Carol Green-Fraley	01-01-14 to 12-31-14
	Patrick Krull	01-01-15 to 12-31-15
	Luanne Jurczak	01-01-16 to 12-31-16
	Robert Kuva	01-01-17 to 12-31-17



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TO: THE OFFICIALS OF THE SCHOOL TOWN OF HIGHLAND, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the School Town of Highland (School Corporation), for the period from July 1, 2013 to June 30, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

April 20, 2017

SCHOOL TOWN OF HIGHLAND
FEDERAL FINDINGS

FINDING 2015-001 - INTERNAL CONTROLS AND COMPLIANCE OVER FINANCIAL TRANSACTIONS

Condition

There were several deficiencies in the internal control system of the School Corporation related to financial transactions.

1. Receipts: The School Corporation had not separated incompatible activities related to receipts. One employee recorded receipts, created the deposits, took the deposits to the bank, and reconciled the bank balances to the ledger balances.
2. Vendor Disbursements:
 - a. Accounts payable vouchers were processed and paid without proper verification of the receipt of goods and/or services by the School Corporation.
 - b. All accounts payable vouchers were posted and all checks were printed prior to allowance by the Governing Board.
3. Payroll Disbursements: The School Corporation stated that they had a process each pay period that one employee inputted the payroll information and another employee compared the trial payroll run to other supporting documentation to ensure accuracy. However, this review process was not documented.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Indiana Code 5-11-10-1.6 states in part:

"(b) . . . As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

SCHOOL TOWN OF HIGHLAND
FEDERAL FINDINGS
(Continued)

- (2) the invoice or bill is approved by the officer or person receiving the goods and services; . . .
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Cause

Management of the School Corporation had not established a proper system of internal control.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected. Additionally, the failure to establish controls allowed noncompliance relating to vendor disbursements to occur.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

***FINDING 2015-002 - INTERNAL CONTROLS OVER EQUIPMENT, REPORTING,
AND SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY***

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY2014, FY2015

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Equipment, Reporting, and Special Tests and Provisions - Paid Lunch Equity.

Equipment

The School Corporation had adopted written policies and procedures for the acquisition, disposal, and capitalization of capital assets; however, documented procedures ensuring that equipment was inventoried properly on the capital asset listing were not provided.

Reporting - Annual Financial Report (AFR) and Verification Summary Report

School Corporation officials indicated that one employee was responsible for preparing and submitting the AFR. Procedures were not in place to ensure that the AFR was accurate prior to submission.

The School Food Authority (SFA) Verification Collection Report did not have evidence of segregation of duties for the fiscal year 2014-2015.

SCHOOL TOWN OF HIGHLAND
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - Paid Lunch Equity - National School Lunch Program Only

School Corporation officials indicated that the Paid Lunch Equity calculations were performed and submitted by one employee. Procedures were not in place to ensure accuracy of the calculations performed.

Context

Two AFRs, one School Food Authority (SFA) Verification Collection Report, Paid Lunch Equity calculations, and the acquisition, disposal, and capitalization of capital assets did not have evidence of a control.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

Cause

The School Corporation failed to establish a proper internal control structure to ensure compliance with requirements associated with the Equipment, Reporting, and Special Tests and Procedures - Paid Lunch Equity compliance requirements.

Effect

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Equipment, Reporting, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

SCHOOL TOWN OF HIGHLAND
FEDERAL FINDINGS
(Continued)

FINDING 2015-003 - CASH MANAGEMENT

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY2014, FY2015

Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Cash Management compliance requirement.

The School Corporation failed to comply with the Cash Management requirement that they limit their net cash resources in the School Lunch fund to an amount that did not exceed three months average expenditures for its nonprofit school food service.

Context

The balance in the School Lunch fund exceeded the three months average expenditures throughout the audit period; therefore, this was a systemic issue.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

7 CFR 210.14(b) states:

"*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with §210.19(a)."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . .

- (iv) Limit its net cash resource to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

Cause

The School Corporation had not developed a system of internal controls to ensure compliance with Cash Management requirements.

SCHOOL TOWN OF HIGHLAND
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Cash Management compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-004 - SUSPENSION AND DEBARMENT

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY2014, FY2015

Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the requirements for Suspension and Debarment.

The School Corporation was not aware of the Suspension and Debarment requirements regarding verifying vendors were not suspend or debarred.

Context

During the audit period, the School Corporation procured items from five vendors that were subject to Suspension and Debarment requirements. The School Corporation failed to ensure that these five vendors were not suspended or debarred from participation in federal programs.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

SCHOOL TOWN OF HIGHLAND
FEDERAL FINDINGS
(Continued)

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The School Corporation had not developed a system of internal controls to ensure compliance with the Suspension and Debarment requirements.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Suspension and Debarment requirements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-005 - INTERNAL CONTROLS OVER ELIGIBILITY, REPORTING, AND SPECIAL TESTS AND PROVISIONS - HIGHLY QUALIFIED TEACHERS AND PARAPROFESSIONALS AND ASSESSMENT SYSTEM SECURITY

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2013, FY 2014, FY 2015

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Eligibility, Reporting, and Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals and Assessment System Security.

SCHOOL TOWN OF HIGHLAND
FEDERAL FINDINGS
(Continued)

Eligibility

Individual Eligibility - Students were tested for their eligibility for Title I Services by classroom teachers. The head paraprofessional completed the eligibility worksheet based on the test scores obtained from classroom teachers. The Title I Coordinator then reviewed the eligibility worksheet to determine whether it was accurate for those who qualified for Title I services. However, evidence of this review was not documented.

Reporting

Final reports were prepared by the Director of Finance and Operations and reviewed by the Director of Curriculum, Instruction & Student Services. We were unable to find evidence of this control on the final report or in the Title I files.

Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals

The Administration used a 'Highly Qualified Verification' Checklist that was maintained in employee's files. This was not an effective control as the checklist was not in all files tested.

Special Tests and Provisions - Assessment System Security

The School Corporation had the appropriate administration and building personnel certify the Indiana Testing Security and Integrity Agreement that documented their understanding of the School Corporation's test security measures and policies. However, the control was not effective since not all checklists were provided.

Context

There was no evidence of controls over Eligibility or Reporting; therefore, these were systemic issues. Controls over Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals were not effective since the verification checklist was not included in eight out of ten files tested. Controls were not effective for Special Tests and Provisions - Assessment System Security since three out of the six schools in the School Corporation failed to retain the agreements.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

Cause

The School Corporation failed to establish an effective internal control structure to ensure compliance with the requirements noted above.

SCHOOL TOWN OF HIGHLAND
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Eligibility, Reporting, and Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals and Assessment System Security compliance requirements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

SCHOOL TOWN OF HIGHLAND

9145 Kennedy Avenue, Highland, Indiana 46322
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Sherri Mitchell, PhD. Director
Cynthia Adams, Director

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Luanne Jurczak, Member

CORRECTIVE ACTION PLAN

FINDING 2015-001 Internal Controls and Compliance Over Financial Transactions

Contact Person Responsible for Corrective Action: **Cynthia Adams**

Contact Phone Number: **219.924.7400 x7231**

1. Receipts: The Auditor noted that there were issues due to a lack of segregation of duties relating to the process of receipting, recording, depositing and reconciling the monies deposited.

2. Vendor Disbursements:

- a. Accounts Payable Vouchers were paid without verification of receipt of goods.
- b. Accounts Payable checks were printed prior to the approval of the board.

3. Payroll Disbursements: The corporation has an additional employee overseeing the input of the payroll information, but neglected to keep the supporting documentation to prove the verification process.

Description of Corrective Action Plan:

- 1. Receipts: We will implement a better system of segregation of these duties. Before or on July 1, 2017, the Deputy Treasurer will continue to record the receipts in the financial software and prepare the bank reconciliations each month. We will assign the duties of creating the deposit slip and taking the deposit to the bank to our Accounts Payable/Payroll Specialist.

- 2. a. The Accounts Payable/Payroll Specialist did not obtain the Transportation Manager's signature on a certain claim, because he was on vacation. She has been notified of the proper procedure and the expectation that all claims for goods or services must contain the department's verification that the goods/services were received indicated by their signature as approval to pay the claim.

b. Currently the Accounts Payable/Payroll Specialist prepares the board docket for the Accounts Payable Claims by producing the checks through the financial software and locking them in the safe until they are approved by the School Board at our monthly meetings. They are mailed the following morning after receiving the board approval. If the board ever denies the payment of a claim, the check is voided instead of being mailed.

We will petition the School Board to approve this process going forward.

- 3. The Superintendent/Human Resource Secretary will continue to verify the validity of the payroll that was input by comparing the trial payroll with the previous payroll docket. She will sign and keep this documentation in the payroll file to support the accuracy of the payroll.

Anticipated Completion Date:

All items are expected to be completed on or before July 1, 2017. Items two a. and three have already been implemented after discussions with the State Board of Accounts Auditor.


(Signature)

Director of Finance & Operations
(Title)

April 20, 2017
(Date)

SCHOOL TOWN OF HIGHLAND

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CORRECTIVE ACTION PLAN

FINDING 2015-002 Internal Controls Over Equipment, Reporting, and Special Tests and Provisions – Paid Lunch Equity

Contact Person Responsible for Corrective Action: **Cynthia Adams**
Contact Phone Number: **219.924.7400 x7231**

1. Equipment: The Auditor noted that capital assets were procured properly, but not inventoried properly on our Fixed Asset Report. The corporation neglected to mark such assets as purchased with federal funds on the annual Fixed Asset Report.

2. Reporting – Annual Financial Report and Verification Summary Report:

- a. The Annual Financial Report is currently prepared by the Food Service Director and verified by the Assistant Food Service Director prior to submission to the state. It was noted that the supporting documentation was not preserved in the file and therefore did not support that the information was accurate prior to submission.
- b. The Verification Summary Report is currently prepared by the Assistant Food Service Director and verified by the Food Service Director. It was noted that this verification was evident on the 2013-14 report, but not on the 2014-15 report.

3. Special Tests and Provisions – Paid Lunch Equity: The Paid Lunch Equity calculations are currently prepared by the Food Service Director and verified by the Assistant Food Service Director prior to submission to the state. It was noted that the supporting documentation was not preserved in the file and therefore did not support that the information was accurate prior to submission.

Description of Corrective Action Plan:

1. Equipment: We will implement a better internal control system of recording federal fixed assets. Before or on July 1, 2017, the Food Service Director will join the fixed asset committee members and attend the annual fixed asset meeting with our vendor. She will prepare the list of additions and deletions to the fixed asset inventory and indicate which assets were paid with federal funds. The vendor has been notified that proper internal controls dictate that the assets be marked as federal if applicable. After receiving the interim final report from the vendor, the committee will meet again and verify that all additions and deletions from each department were recorded correctly. If all is in compliance, the vendor will be notified that the committee has verified his report.
2. a. Annual Financial Report: The Annual Financial Report will continue to be prepared by the Food Service Director and verified by the Assistant Food Service Director prior to submission to the state. The internal control procedure was revised to include the requirement of retaining the supporting documentation in the file with the report and

having the overseer to sign the report to indicate that she has verified the accuracy of the information prior to the submission to the state.

b. Verification Summary Report: The Verification Summary Report will continue to be prepared by the Assistant Food Service Director and verified by the Food Service Director prior to submission to the state. We have revised our internal control procedures to include the requirement of retaining the supporting documentation in the file with the report and having the overseer to sign the report to indicate that she has verified the accuracy of the information prior to the submission to the state.

3. Special Tests and Provisions – Paid Lunch Equity: The Paid Lunch Equity calculations will continue to be prepared by the Food Service Director and verified by the Assistant Food Service Director prior to submission to the state. We have revised our internal control procedures to include the requirement of retaining the supporting documentation in the file with the report and having the overseer to sign the report to indicate that she has verified the accuracy of the information prior to the submission to the state.

Anticipated Completion Date:

All items are expected to be completed on or before July 1, 2017.


(Signature)

Director of Finance & Operations
(Title)

April 20, 2017
(Date)

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CORRECTIVE ACTION PLAN

FINDING 2015-003 Cash Management – School Breakfast and Lunch Program

Contact Person Responsible for Corrective Action: **Cynthia Adams**

Contact Phone Number: **219.924.7400 x7231**

Cash Management: The Auditor noted that the cash balance in the food service fund exceeded the average expenditures for three (3) months in each of the twenty-four (24) months audited. The requirements state that the district maintain a nonprofit school food service program and limit the cash resources to an amount that does not exceed 3 months average expenditures.

Description of Corrective Action Plan:

Cash Management: Additional funds were accumulated to renovate the serving lines and to purchase necessary equipment. While we have completed many of these renovations over the past few years, we have not finished all. The renovation projects must be timed when the students are not in attendance and the Maintenance Department can manage and oversee the projects. Therefore, it has taken additional time to complete these renovations.

The cash balance on 3/31/17 was \$761,857. The monthly average expenditure is \$102,069, so the three month average expenditure and target cash balance is \$306,207.

During the summer of 2017, we plan on installing a custom serving line and steel preparation table at Merkley Elementary School. This is estimated to cost \$90,000. We also plan on installing a custom double serving line at Highland High School with an estimated cost of \$250,000.

During the Fall Break of 2017, we'll be installing a new "Grab N Go" line, a deli line, and a variety line at Highland High School. We are estimating these improvements to cost \$150,000.

The cash balance on 3/31/17 was \$761,857. The total estimated cost for the projects listed above is \$490,000. This would leave us with an estimated cash balance of \$271,857 by December 31, 2017. This will insure that we are in compliance with the state and federal regulations of maintaining a nonprofit food service program which consists of a cash balance that doesn't exceed 3 months average expenditures or \$306,207.

Anticipated Completion Date:

All items are expected to be completed on or before December 31, 2017 unless market, vendor or weather conditions delay the planned construction.


(Signature)

Director of Finance & Operations
(Title)

April 20, 2017

(Date)

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CORRECTIVE ACTION PLAN

FINDING 2015-004 Suspension & Debarment – School Breakfast and Lunch Program

Contact Person Responsible for Corrective Action: **Cynthia Adams**

Contact Phone Number: **219.924.7400 x7231**

Suspension & Debarment: The U.S. Department of Agriculture requires that school corporations verify that awarded contracts exceeding \$25,000 were not suspended or debarred entities when spending federal funds. The school corporation was not aware of this requirement and allowed a total of five (5) vendors to go unchecked.

Description of Corrective Action Plan:

Suspension & Debarment: The school corporation concurs with this finding and has revised the internal controls of purchasing with federal dollars to include a search for the proposed vendor name on the federal website. If not suspended or debarred, a copy of that search will be attached to the purchase order. If the vendor is suspended or debarred, a contract will not be awarded.

The report mentions that the Northwest Indiana Educational Service Center (NWIESC) complied with this requirement for the grocery, commodity, milk, and bread vendors. We are no longer members of the NWIESC.

We now use a company called Hospital Purchasing Services (HPS). We have verified that HPS also searches out suspended and debarred companies with federal contracts over \$25,000. The Food Service Director will obtain such certification from HPS when she requests board approval of the grocery, commodity, milk and bread bids.

Anticipated Completion Date:

Our internal control procedure changed immediately, effective March 1, 2017, after learning of this infraction through the audit. Any and all federal contracts over \$25,000 will be checked for suspension and debarment prior to issuing a contract. The documented search will be attached to the purchase order or to the approved bid documents.


(Signature)

Director of Finance & Operations
(Title)

April 20, 2017

(Date)

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CORRECTIVE ACTION PLAN

FINDING 2015-005 Internal Controls Over Eligibility, Reporting, and Special Tests and Provisions – Highly Qualified Teachers and Paraprofessionals and Assessment System Security – Title I Grants to Local Educational Agencies

Contact Person Responsible for Corrective Action: **Cynthia Adams**

Contact Phone Number: **219.924.7400 x7231**

1. Eligibility: The Lead Paraprofessionals complete the eligibility worksheet according to the test scores obtained by the classroom teachers. The Title I Coordinator reviews these reports to determine if a student qualifies for Title I services. No documentation of this review was maintained in the file.
2. Reporting: Final expenditure reports were completed by the Director of Finance and reviewed and approved by the Title I Director. Both individuals are required to sign the report. The auditor was unable to find evidence of this review in the file.
3. Special Tests and Provisions – Highly Qualified Teachers and Paraprofessionals: Human Resources used a Checklist that is maintained in the employees file to insure the employee is highly qualified and other data is entered in the financial system correctly. The checklist was not included in 80% of the files tested.
4. Special Tests and Provisions – Assessment System Security: The corporation had the administration and other appropriate personnel certify the Indiana Testing Security and Integrity Agreement that outlined the test's security measures and policies. The signed forms were to be maintained at the building level. However, only three (3) of the six (6) principals complied.

Description of Corrective Action Plan:

1. Eligibility: The eligibility worksheet will be revised to add a section for the Title I Coordinator to indicate that she has reviewed the form and agrees with the results and require her signature.
2. Reporting: The Indiana Department of Education sent Crowe Horwath to the School Town of Highland to audit the 2012/2013 and 2013/2014 Title I, II & III Grants on March 15, 2015. The auditor reviewed the files and reported the results to the state. The state did not notify the school district of any issues or problems as a result of the audit.

The Indiana SBOA auditors were given the very same files along with all of the other grant files. The packet of monthly receipts and the final signed expenditure report were missing from the 2013/2014 Title I packet. We were able to re-create the receipts, because duplicate copies are maintained. We printed the final report from the on-line program, but it didn't have the two required signatures.

We contacted the auditor from Crowe Horwath to see if he had the documents in his working file. Unfortunately, he did not. Later it was discovered that the Crowe Horwath auditor included the receipts in the file given to the Title I Director, instead of returning them to the financial file. The signed version of final report has not been found to date.

While I believe this to be an isolated instance, the files will be reviewed to insure all documentation was returned to the correct file prior to the auditor leaving.

3. Highly Qualified Teachers and Paraprofessionals: The employee checklist is a document that insures that human resources, payroll, benefits and the accounting department all enter their area of responsibility in regards to entering a new employee or a transferred employee. As recommended by the auditors, the employee checklist form, along with the internal control procedure, will be revised to make certain that each department enters their required information and initial the form to verify they have done so. The Human Resources and the Accounting Department will work together to revise the employee checklist form to insure it serves as a checklist and verification for both departments. This form will be required as part of the internal control procedures to be included in each employee's file for any and all employee status changes listed on the form.
4. Assessment System Security: The corporation will continue to have the administration and other appropriate personnel certify the Indiana Testing Security and Integrity Agreement that outlined the test's security measures and policies. The signed forms will still be maintained at the building level. However, the form will be revised to include the following statement: "Testing Security & Integrity Agreements from all employees who administer, handle or have access to secure test materials. (Maintained on file for 3 years.)" as part of the checklist. The individual will have to check the appropriate response, yes, no or N/A. This will serve as a reminder to the administrators that the form must be kept on file.

Anticipated Completion Date:

All internal control procedural changes listed above are expected to be completed and in effect as of July 1, 2017. The Corrective Action Plan items numbered 1 through 4 above will be implemented when the reports are due during the 2017/2018 school year.


(Signature)

Director of Finance & Operations
(Title)

April 20, 2017
(Date)

SCHOOL TOWN OF HIGHLAND
EXIT CONFERENCE

The contents of this report were discussed on April 20, 2017, with Cynthia Adams, Treasurer; Brian Smith, Superintendent of Schools; Robert Kuva, President of the School Board; Dr. Sherri Mitchell, Director of Curriculum/Instruction and Student Services; and Eugenia Gogolak, Deputy Treasurer.